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Tobacco farmers wait as legislators debate: Phase II, settlement funds in limbo

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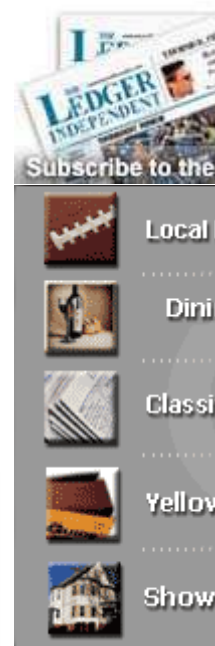
More than 700 tobacco farmers and others involved in the local burley trade crowded into the Calvert Center at Maysville Community and Technical College Monday in a meeting to discuss the latest developments involving the federal tobacco buy-out and Phase II settlement money many area farmers are missing.

Mason County Extension Agent Bill Peterson said Tuesday that the meeting, which he moderated, had been organized by the extension office to relay information to local farmers and agribusinesses about the buy-out money.

Rep. Mike Denham spoke at the meeting about a bill filed last month for the 2005 General Assembly to consider.

House Bill 132, cosponsored by Denham, seeks to use funds from the Master Tobacco Settlement earmarked for tobacco to pay farmers 91 percent of what they expected to get in the 2004 Phase II disbursement.

The Master Tobacco Settlement was reached between several states' attorneys general



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and the major tobacco companies to settle lawsuits over costs incurred by states to treat tobacco-related illnesses.

The \$206 billion settlement, meted out in what became known as Phase I payments, resulted in a rise in cigarette prices.

In 1999, the four major tobacco companies agreed to pay growers \$5.15 billion in so-called Phase II payments over 12 years to compensate for losses farmers and quota holders would have suffered due to the Master Settlement.

The federal buy-out, which passed in U.S. Congress and the Senate and was signed into law by President Bush last year, pays farmers and quota holders about \$10 billion over a decade to give up quotas, essentially nullifying the Phase II payments farmers had been receiving.

At Monday's meeting, Denham said the bill, if passed, would pay \$114 million to Kentucky farmers using Phase I funds the state has received, with half of the money paid upon the bill's passage and the remaining half to be paid later in the year.

Kentucky invests 50 percent of its Phase I dollars in agricultural development, 25 percent in early childhood development and 25 percent in smoking cessation and other health related programs.

Reached in Frankfort Tuesday, Denham said the Agriculture and Small Business Committee, which he co-chairs, spent much of the day reviewing the bill, and it will be presented to the House Appropriations and Revenue Committee this morning.

'We've made adjustments today that we think will help expedite payments to the farmers,' said Denham, who added that the bill has earned 'tremendous bipartisan support' thus far. 'If all goes well and the bill passes and the governor signs it, farmers could get a check as early as May.'

If made into law, the bill would put Phase II funds on a fast track to farmers throughout the state.

Many of those farmers are stuck in a prickly economic situation now, no longer receiving Phase II payments but not knowing when federal buy-out money will arrive, either, as a case pending in the North Carolina Supreme Court will determine whether farmers or tobacco companies will receive the money earmarked for Phase II funds for the last year.

Mary Lloyd Allison, executive director at the Mason County Farm Service Agency, said area farmers will apply for buy-out money through her office, but the question of when they may receive that money depends on this pending legal action and other regulations.

The General Assembly is attempting to remedy the situation, but many farmers in the area cannot receive that money fast enough, said Farmer's Home Warehouse Manager Pat Finn.

Finn said that a number of farmers have subsided on anticipated Phase II payments that never arrived because of the federal buy-out.

'For a lot of them, that money goes to payments on the farm, equipment, whatever,' said Finn. 'We're depending on this money, and it's not there.'

Finn passed out a questionnaire sponsored by Bluegrass Burley Systems of Cynthiana at Monday's meeting to gauge the opinions of local farmers regarding the buy-out.

Of the completed forms he has seen, Finn said the questionnaire indicates many of the

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farmers support House Bill 132 along with a cigarette tax that Gov. Ernie Fletcher plans to propose to further subsidize Phase II payments.

'I've got about 100 or more to send in right now,' said Finn.

Also speaking at Monday's meeting were two University of Kentucky professors.

Steve Isaacs, a farm management specialist at UK, has spoken at several venues in Kentucky recently about the future of tobacco.

According to information from the meeting, an informal poll taken by Isaacs indicated 80 percent in attendance were active leaf growers, but only 50 percent of those intended to grow tobacco this year.

Will Snell, a tobacco policy specialist at UK, discussed the decline of American burley exports and the parallel growth of African burley production, describing a scenario in which the free market created by the federal buy-out will hurt American growers struggling to compete with foreign imports.

Snell added that the components of the roughly \$10 billion comprising the buy-out, about \$9.6 billion will go to quota owners and growers, while the rest would be used to move out pool stocks.

Maysville Mayor David Cartmell attended the meeting Monday and predicted the local market would remain in a state of flux in the near future as the area farmers who continue growing tobacco learn to adapt to a changing economy without government assistance.

'It could take two or three years for the market to stabilize because of overseas production implications,' said Cartmell.

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